

Message Text

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13-11

ACTION EA-09

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E.O. 11652: N/A

TAGS: ETRD CH US

SUBJECT: THE CAPITALIST ROAD IN KWANGSI

1. AN UNUSUAL BUSINESS RELATIONSHIP BASED ON THE PURCHASE OF WOODEN CLOTHESPIN HAS DEVELOPED BETWEEN THE KWANGSI BRANCH OF THE CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT AND EXPORT CORPORATION AND U.S. NATIONAL IRA HELFER, OF CHINA BUYING SERVICE LTD., A HONG KONG FIRM. AS DESCRIBED BY HELFER, BUSINESS DEALINGS BEGAN WITH A SMALL ORDER (30 THOUSAND GROSS) OF CLOTHESPIN, WHICH WERE PACKAGED IN HONG KONG FOR SHIPMENT TO THE U.S. MARKET. BECAUSE OF THE HIGH HANDLING COSTS, HELFER DID NOT MAKE ADDITIONAL PURCHASES UNTIL REPRESENTATIVE OF THE PEKING HEADQUARTERS OF THE LIGHT INDUSTRY CORPORATION SUGGESTED TO HIM AT THE CANTON FAIR THAT HE CONSIDER FURTHER PURCHASES FROM THE KWANGSI BRANCH, "WHICH WAS ANXIOUS TO BUILD UP ITS LIMITED EXPORT POTENTIAL."

2. IN LATER NEGOTIATIONS HELFER SAID HE WAS ABLE TO TRANSLATE THIS DESIRE TO EXPORT INTO SIGNIFICANT COMMERCIAL ACCOMMODATIONS ON THE PART OF THE KWANGSI BRANCH. SUBSEQUENT PURCHASES OF 400,000 GROSS OF CLOTHESPIN (ABOUT \$350,000) HAVE BEEN CONCLUDED THIS SUMMER IN AGREEMENTS THAT PROVIDE FOR CARTONS, LABELS, AND POLYETHYLENE PACKAGING BAGS TO BE SHIPPED

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BY BOAT FROM HONG KONG TO WUCHOU FOR PACKAGING. THE

CLOTHESPINS THEMSELVES HAVE BEEN REDESIGNED IN ACCORDANCE WITH HELFER'S MODIFICATIONS OF THE ORIGINAL MODEL. HELFER EXPECTS TOTAL BUSINESS TO RISE RAPIDLY TO ABOUT TWO TO THREE MILLION GROSS PER YEAR.

3. IN A VERY UNUSUAL BY-PLAY TO THESE NEGOTIATIONS, KWANGSI BRANCH REPS MENTIONED TO HELFER THAT AS AN EXPORT-POOR ORGANIZATION THEY WERE NOT ABLE TO EARN ENOUGH IMPORT CREDITS TO PURCHASE POCKET CALCULATORS FOR THEIR REPRESENTATIVES AT THE CANTON FAIR, ALTHOUGH THEY NEEDED THE CALCULATORS AS MUCH AS THE OTHER BRANCHES. IF HELFER WERE TO BRING IN A FEW CALCULATORS AS GIFTS, NOT DECLARING THEM ON HIS CUSTOMS FORM, IT WOULD BE APPRECIATED. FOLLOWING THESE INSTRUCTIONS, HELFER BROUGHT TWO CALCULATORS WITH HIM TO THE NEXT CANTON FAIR AND PRESENTED THEM TO LIGHT INDUSTRY KWANGSI BRANCH REPS.

4. THE MATERIAL IN THIS MESSAGE IS COMMERCIALY SENSITIVE, AND SHOULD NOT BE DISCUSSED OUTSIDE THE USG.

GATES

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